



Control Number: 51415



Item Number: 441

Addendum StartPage: 0

SOAH DOCKET NO. 473-21-0538

PUC DOCKET NO. 51415

2021 MAY -5 PM 2: 31

APPLICATION OF SOUTHWESTERN
ELECTRIC POWER COMPANY FOR
AUTHORITY TO CHANGE RATES

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BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS
INDUSTRIAL ENERGY CONSUMERS' TWELFTH SET OF REQUEST FOR
INFORMATION**

MAY 5, 2021

TABLE OF CONTENTS

<u>SECTION</u>	<u>FILE NAME</u>	<u>PAGE</u>
Response No. TIEC 12-1	51415 TIEC12 Pkg.pdf.....	2
Response No. TIEC 12-2	51415 TIEC12 Pkg.pdf.....	4
Response No. TIEC 12-3	51415 TIEC12 Pkg.pdf.....	5
Response No. TIEC 12-4	51415 TIEC12 Pkg.pdf.....	6

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Question No. TIEC 12-1:

The following questions refer to the Rebuttal Testimony of Dylan W. D'Ascendis:

Referring to Table 7, please provide:

- a. The 30-year Treasury yields during the pendency of Docket No. 46449 and the 30-year Treasury yields during the pendency of the current proceeding.
- b. The Federal Funds rate during the pendency of Docket No. 46449 and the Federal Funds rate during the pendency of the current proceeding.
- c. The A-rated utility bond yields during the pendency of Docket No. 46449 and the A-rated utility bond yields during the pendency of the current proceeding.

Response No. TIEC 12-1:

a. Please see the table below with the average 30-year treasury yield for the duration of Docket No. 46449 and the average yield for the duration of the current proceeding. While interest rates have declined, it is Mr. D'Ascendis' opinion that this decline was caused by abrupt increases in market volatility due to turmoil attributable to COVID-19 as outlined on pgs. 11-27 of Mr. D'Ascendis' Rebuttal Testimony. Mr. D'Ascendis discusses several risk metrics in this section including annualized volatility and returns of utility groups and market indices, coefficients of variation for various interest rates, and the correlation of utility stocks and the market. Mr. D'Ascendis ultimately concludes that while the current market is characterized by low interest rates, other risk drivers that affect investor-required returns must be taken into consideration, and when they are, it is clear that investor-required returns on utility stocks are increasing.

Measure	Docket No. 46449	Current Proceeding
Average 30-Year Treasury Yield	2.91%	1.87%

b. Please see the table below with the Federal Funds rate range for the duration of Docket No. 46449 and the range for the current proceeding. As mentioned in part (a) above, interest rates are not the only measure of risk that affect investor-required returns on utility stocks.

Measure	Docket No. 46449	Current Proceeding
Federal Funds Rate Range	0.5% - 1.5%	0.0% - 0.25%

c. Please see the table below with the average A-rated utility bond yield rates for the duration of Docket No. 46449 and the average yield for the duration of the current proceeding. As mentioned in part (a) above, interest rates are not the only measure of risk that affect investor-required returns on utility stocks.

Measure	Docket No. 46449	Current Proceeding
Average A-rated Utility Bond Yields	4.02%	3.01%

Prepared By: Dylan D'Ascendis

Title: Director, ScottMadden, Inc.

Sponsored By: Dylan D'Ascendis

Title: Director, ScottMadden, Inc.

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Question No. TIEC 12-2:

The following questions refer to the Rebuttal Testimony of Dylan W. D'Ascendis:

Referring to Schedule DWD-7R:

- a. Please provide the source data used for this Schedule.
- b. Please explain why the year 1947 was chosen.
- c. Please provide the GDP by industry data for every other year that is available from this source.

Response No. TIEC 12-2:

a. Please see sheet 'DWD-7R WP1' of the electronic Excel workpapers to Mr. D'Ascendis' rebuttal testimony filed on April 26, 2021.

b. 1947 was chosen because it was the first year for which the government published the relevant data, as shown on sheet 'DWD-7R WP1' of the electronic Excel workpapers to Mr. D'Ascendis' rebuttal testimony.

c. Please refer to the response to TIEC 12-2(a).

Prepared By: Dylan D'Ascendis

Title: Director, ScottMadden, Inc.

Sponsored By: Dylan D'Ascendis

Title: Director, ScottMadden, Inc.

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Question No. TIEC 12-3:

The following questions refer to the Rebuttal Testimony of Gregory S. Wilson:
Referring to page 4, please provide a detailed explanation of how the estimated break-out between major and non-major storms was calculated for 2004, including supporting workpapers.

Response No. TIEC 12-3:

The 2004 damage payments were \$922,769. It appeared at the time that the largest non-major storm in the experience period was \$281,557. As a result, we subtracted \$281,557 from the \$922,769 assuming a worst-case minor storm in 2004. This was described in my testimony in Docket No. 37364. The calculation is shown below:

	Annual Losses	Normal Losses	Large Loss	
1997	281,557	281,557	-	
1998	181,425	181,425	-	
1999	208,523	208,523	-	
2000	11,836,581	281,557	11,555,024	
2001	3,361,414	281,557	3,079,857	14,634,881
2002	30,155	30,155	-	
2003	1,428	1,428	-	
2004	922,769	281,557	641,212	

Prepared By: Gregory S. Wilson

Title: VP & Principal, Lewis & Ellis, Inc.

Sponsored By: Gregory S. Wilson

Title: VP & Principal, Lewis & Ellis, Inc.

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Question No. TIEC 12-4:

The following questions refer to the Rebuttal Testimony of Michael A. Baird:

Referring to pages 26-27:

- a. Please identify all instances in which the Public Utility Commission of Texas has addressed the issue of the retirement of a generating unit with some amount of undepreciated value.
- b. Please identify all instances in which the Public Utility Commission of Texas adopted the "prescribed accounting treatment" for the retirement of a generating unit from which it "departed" in Docket No. 46449.

Response No. TIEC 12-4:

- a. The Company has not done a search of all PUCT dockets to see what instances they addressed the retirement of a generating unit with some amount of undepreciated value.
- b. In Docket No. 46449, SWEPCO had retired two units, Welsh Unit 2 and Lieberman Unit 1 as discussed in the Direct Testimony of SWEPCO witness Paul Franklin. In that case, the only unit addressed by the Commission that did not follow the prescribed accounting treatment was Welsh Unit 2. The retirement of Lieberman Unit 1 followed standard FERC retirement accounting.

Prepared By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch